

## LATVIA

Capital: Riga	Inflation: 3%
GDP per capita: \$2,512	Unemployment: 13.8%
Population: 2,400,000	Foreign Direct Investment: \$150,000,000

### OVERALL DESCRIPTION: 2.8

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The NGO sector in Latvia is strengthening slowly. The state has begun to recognize the benefits of delegating responsibilities to NGOs, but rarely allocates resources to fulfil these responsibilities. Politicians have recently begun to comprehend the importance of favorable legislation for NGOs to fulfil their mission, but even NGO activists have not fully recognized their potential or the role that they could have in shaping the sector. NGOs often see others in the sector as competitors and co-operation between organizations is limited.

NGOs have been established representing almost all segments of society and targeting all demographic groups from children to the elderly, on issues ranging from social care and environmental protection to cultural affairs and education. Although NGOs exist throughout the country, the sector is strongest in the capital Riga and the largest cities.

Despite the best of intentions, most NGOs in Latvia disband shortly after their founding due to their inability to attract volunteers and secure funding. Over 5,000 NGOs are officially registered in Latvia, but according to the database kept by the NGO Centre in Riga, only about 1,500 are considered active.

### LEGAL ENVIRONMENT: 3.0

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The registration process for NGOs in Latvia is fairly easy. Organizations must pay a fee that is deemed to be quite high and could be considered restrictive, but it is not a deterrent for most organizations. All NGOs must register in Riga, so organizations must travel to the capital to complete their paperwork.

Existing legislation allows NGOs to function, but the laws on financing and accounting are both complex and disheartening for NGOs. The legal and regulatory environment is not conducive to promoting the non-profit sector and the work of non-governmental organizations. The process of obtaining tax ex-

empt status is confusing and often arbitrary, and tax deductions are difficult to obtain. The granting of tax exempt status is not entirely transparent. Six organizations have a special status that allows 95% of their donations to be tax deductible, whereas all other registered NGOs are entitled to only an 85% deduction. The certification process for tax deductibility must be undertaken annually and can last a number of months, which means organizations enjoy their status perhaps for only a few months a year.

The issue of VAT (value added tax) is also a potential conflict for NGOs. Cur

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rently, if an NGO receives more than a specified amount in earned income, they must pay VAT at the standard rate. Admittedly, the ceiling amount is high enough that VAT is not an issue for most NGOs. Funds received from donors in the form of grants or stipends for individuals are currently subject to all income and social taxes, slightly over 50% of the amount received, thereby reducing the grant amount by half.

Existing laws offer NGOs basic protection from state interference without justification, and include basic requirements for the structure of an NGO, such as re-

quiring a board of directors and defining its functions.

The local legal capacity for the NGO sector is negligible at best. A number of lawyers are available in Riga to serve the NGO sector, but few serve the regions. In general, lawyers are not interested in working in the non-profit sector because of the lack of personal remuneration and because non-profit law is not taught as part of the law school curriculum. Also, the societal mentality is that lawyers cost too much money; therefore, many NGOs shy away from using their services.

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### ORGANIZATIONAL CAPACITY: 2.6

The laws in Latvia make registering an NGO easy, but operating the organization difficult. An NGO can register without much thought or effort and often the organization needs only three people who serve as both the board and staff. Co-ordination among organizations with similar missions is rare, as they view each other as competitors for limited resources, and are therefore often not willing to co-operate for the common good.

According to a survey conducted by the NGO Centre, 82% of Centre clients said that they have a mission statement, and 58% said that they engage in strategic planning. While many organizations may have developed a mission statement, few have the organizational capacity to fulfill their stated mission, or complete their strategic plan.

The political environment is favorable, and organizations certainly make an effort to succeed, but there is a lack of relevant training for NGOs.

The largest, most sustainable NGOs have boards of directors with a clear separation between their governance function and staff. The majority of organizations, however, are still in the beginning stages of development where board and staff responsibilities often rest in the same individuals.

Most NGOs do not have any technical equipment, and most of those that do received the equipment as part of a grant. Most organizations do not have the resources to purchase equipment, and those that have some technical equipment cannot afford to upgrade or to replace existing resources.

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### FINANCIAL VIABILITY: 3.5

Approximately 80% of all financial resources received by NGOs come from overseas rather than domestic sources. Even international support, however, has been sporadic and limited. International donors are more in-

clined to fund the creation of a new NGO rather than assist an existing organization to continue functioning. The funding base for Latvia's NGOs is not diversified, and organizations usually rely on only one or two sources for

funding. NGOs tend to ask one donor to fund an entire project, rather than approaching multiple funders to participate. In the regions, local governments often match 50% of funding for a local NGO.

NGOs for the most part, have implemented proper basic accounting techniques. They are often unable to engage in financial planning, however,

because they do not see the bigger picture and do not often know what their real costs of operation are.

Earned income is not a significant part of most NGOs' operations. Many NGOs are working to find ways to generate their own income, but, businesses often see such NGOs as unfair competition.

### ADVOCACY: 3.0

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NGO co-operation with local governments is effective, but co-operation with the federal government is not. A number of lobbying organizations, modeled on the US style of lobbying, have begun to operate within the last year. Most of these groups are membership organizations, composed of businesses with a stake in pending legislation.

The absence of non-profit advocacy groups is due to a lack of effort on the part of NGOs and a lack of specialized advocacy skills. Latvian NGOs do not form coalitions, because they often believe that they are competing against one another.

The sector has succeeded in ensuring that all draft laws are available for review on the Internet, during all phases of governmental deliberation.

Public awareness of the sector's importance is increasing due to extensive coverage of the sector's activities in the largest daily newspapers. The business and public sectors are finally beginning to understand the concepts of philanthropy and volunteerism, but NGOs still do not yet fully understand the importance of sectoral development.

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### **SERVICE PROVISION: 2.5**

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NGOs in Latvia cover all regions of the country and support all demographic groups. Other than trade unions, few of these organizations are membership-based so most NGOs focus their activities on the wider public. If organizations do not succeed in effectively spreading their message, the problem most often lies within the organization. Many groups do not know how to publicize themselves.

When NGOs provide services, they recover only a small percentage, if any, of their costs, and donors often do not provide funding for administrative expenses. As an example, the NGO Centre recovers only 10% of its costs for conducting training and education seminars.

When an international donor provides support for a project, the organization

is usually barred from charging for its services. Such a policy tends to defeat the NGO's drive towards sustainability and makes the organization dependent on donors for its existence. If the service, such as a seminar, is provided for free, the participants are not always fully engaged, and tend to treat attendance lightly.

The framework for legislative support of the sector is in place, but the state offers little financial support to NGOs. The conditions and environment are favorable for state support, but the national government cannot give NGOs financial resources because it does not have the resources to give, except perhaps a limited amount of in-kind support.

### **INFRASTRUCTURE: 3.0**

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Latvia has a network of 14 Regional NGO Support Centres throughout the country that provide information and services to NGOs. The centers do not recover the cost of the services they provide. The NGO Centre in Riga is preparing to develop a pilot community foundation, but no legislation exists to govern the operation of community foundations.

In general, coalitions of NGOs do not exist. A limited number of networks within mission-areas have formed, but NGOs lack the motivation to develop

an extensive network. NGOs are better adept at developing intersectoral partnerships with businesses and the government than they are at developing intrasectoral partnerships with other NGOs.

Latvia has a large number of trainers and training opportunities, but the majority of training is at a basic level. A multitude of training options exists for fledgling NGOs, but few such opportunities exist for mature NGOs. Training materials are available in Latvian, English and Russian.

### **PUBLIC IMAGE: 2.0**

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The media is usually willing to write about the sector if NGOs provide quality events to write about. Therefore, coverage is positive, but limited. The largest daily national newspaper has a public service advertising program, but most local newspapers do not have such a structure.

Public perception of the NGO sector is mixed, but mostly positive. NGO relations with the government could be improved, because if the government is aware of the sector at all, it sees NGOs

as competition for limited resources rather than as an ally in developing a civil society.

NGOs do not have a printed code of ethics, but those who receive funds from international donors are required to adhere to transparency in their operations. Most NGOs do not publish annual reports because of the expense, and if an organization has received funding, it is not likely to share the information with others.